

EXECUTIVE CHAMBERS

HONOLULU

July 8, 2005

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 960

Honorable Members
Twenty-Third Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, Senate Bill No. 960, entitled "A Bill for an Act Relating to Civil Defense."

The purpose of this bill is to appropriate funds for natural disaster preparedness, including tsunami and hurricane preparedness efforts, from the Hurricane Reserve Trust Fund, to retrofit and protect public buildings against hurricanes, develop standards for residential safe rooms, to fund the Loss Mitigation Grant Program, and to improve the Program by encouraging the construction of safe rooms.

While I believe these projects to be worthwhile, the method chosen to fund these projects is not appropriate. The Hurricane Reserve Trust Fund principal should be retained in the fund because these moneys will be needed to pay claims and purchase reinsurance following a hurricane.

Development of a balanced budget that uses general fund moneys for hurricane mitigation projects is not objectionable. The Legislature already requires the annual transfer of interest from the Hurricane Fund to the general fund. This presently amounts to about \$6 million per year and would be more than enough to pay for loss mitigation programs, the hurricane retrofit grant program, and the tsunami and hurricane disaster preparedness efforts addressed by the bill. Taking money from the Hurricane Fund's principal, however, means that the moneys in the Hurricane Fund would be permanently reduced.

Unless some other fund is established in its place, the

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Hurricane Reserve Trust Fund will be the sole source of monies to provide hurricane insurance to the market when the private market is unable to do so. Following Hurricane Iniki in 1992, private insurers cut back severely on homeowner's insurance, leaving families without insurance or forcing them to purchase insurance at high rates in the surplus lines market. Because the secondary market in mortgage loans requires hurricane insurance, the Hurricane Reserve Trust Fund will facilitate continued real estate lending and real estate transactions. In addition to helping homeowners, the Hurricane Reserve Trust Fund provides an important support to the overall economy of the State following a hurricane.

Finally, the appropriations in this bill will provide Loss Mitigation grants for a relatively small number of single-family homeowners per year. Even if this bill represents only the beginning of the reserve trust funding of these grants, this bill represents the start of a practice that will likely deplete the Hurricane Reserve Trust Fund over time. The lessons from history and the reality that a hurricane will strike Hawaii in the future requires preservation, not depletion, of the Hurricane Reserve Trust Fund.

For the foregoing reasons, I am returning Senate Bill No. 960 without my approval.

Respectfully,

LINDA LINGLE
Governor of Hawaii